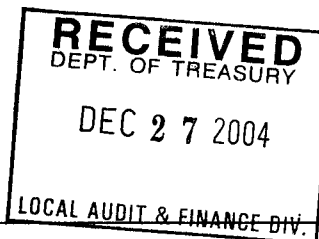


Auditing Procedures Report

59-1120

Issued under P.A. 2 of 1968, as amended.



Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name HOME TOWNSHIP	County MONTCALM
Audit Date 6/30/04	Opinion Date 11/18/04	Date Accountant Report Submitted to State: 11/23/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

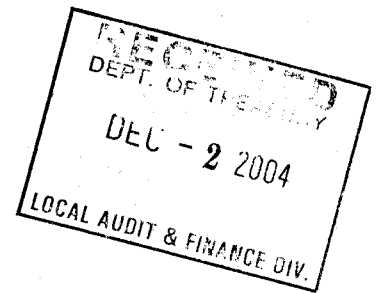
You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:			
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal financial assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) DEAN JENSEN CPA, P.C.			
Street Address 108 N. LAFAYETTE ST.	City GREENVILLE	State MI	ZIP 48838
Accountant Signature <i>Dean Jensen CPA</i>		Date <i>11/23/04</i>	

HOME TOWNSHIP
59-1120
MONTCALM COUNTY, MICHIGAN
ANNUAL FINANCIAL STATEMENTS
AND
AUDITOR'S REPORT
JUNE 30, 2004



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DEAN JENSEN
Certified Public Accountant, P.C.

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Greenville, MI 48838

Telephone (616) 754-8888
Fax (616) 754-5281

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Home Township
Montcalm County, Michigan

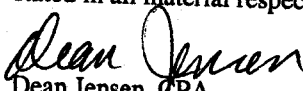
We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of and for the year ended June 30, 2004, which collectively comprise Home Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Home Township, Montcalm County, Michigan. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the supporting financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Home Township, Montcalm County, Michigan, as of June 30, 2004, and the respective changes in fund balance for the year then ended in conformity with the accounting principles generally accepted in the United States of America.

As described in Note 1, the Township of Home has implemented a new financial reporting model, as required by provisions of GASB Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*, as of June 30, 2004. However, management has elected not to present the Management's Discussion and Analysis portion of the financial statements.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Home Township, Montcalm County, Michigan basic financial statements. The combining and individual fund financial statements as listed in the accompanying table of contents have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Dean Jensen, CPA
November 18, 2004

GOVERNMENT WIDE FINANCIAL STATEMENTS

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
JUNE 30, 2004**

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 640,376
Receivables - other governmental units	18,456
Capital assets (net)	<u>551,843</u>
Total Assets	<u><u>\$ 1,210,675</u></u>
LIABILITIES	
Accounts payable	\$ 13,048
Payroll liabilities	<u>411</u>
Total liabilities	<u><u>13,459</u></u>
NET ASSETS	
Invested in capital assets, net of related debt	551,843
Unrestricted	<u>645,373</u>
Total net assets	<u><u>1,197,216</u></u>

See accompanying notes to financial statements

**HOME TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Program Revenues</u>				Governmental Activities Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT					
General government	\$ 152,616	\$ 23,533	\$ -	\$ -	(129,083)
Public safety	92,048	1,197	-	-	(90,851)
Public works	81,710	-	-	1,198	(80,512)
Recreation and culture	86,941	27,037	15,432	-	(44,472)
Total primary government	<u>413,315</u>	<u>51,767</u>	<u>15,432</u>	<u>1,198</u>	<u>(344,918)</u>

General Revenues	
Property taxes	284,330
State shared revenues	139,656
Unrestricted investment earnings	4,633
Other	20,581
Total general revenues	<u>449,200</u>
Change in net assets	
Net assets - beginning of year	104,282
Net assets - end of year	<u>1,092,934</u>
	<u>1,197,216</u>

See accompanying notes to financial statements

FUND FINANCIAL STATEMENTS

HOME TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
JUNE 30, 2004

	MAJOR FUNDS							TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	CEDAR LAKE LIGHTS FUND	
ASSETS								
Cash and cash equivalents	\$ 152,187	40,385	61,985	63,179	167,044	77,658	1,342	640,376
Accounts receivable	17,259	-	-	1,197	-	-	-	18,456
Total Assets	<u>169,446</u>	<u>40,385</u>	<u>61,985</u>	<u>64,376</u>	<u>167,044</u>	<u>77,658</u>	<u>1,342</u>	<u>658,832</u>
LIABILITIES AND FUND BALANCE								
LIABILITIES								
Accounts payable	4,843	8,205	-	-	-	-	-	13,048
Payroll tax liabilities	342	-	52	17	-	-	-	411
Total Liabilities	<u>5,185</u>	<u>8,205</u>	<u>52</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,459</u>
FUND BALANCES								
Reserved for municipal streets		32,180						32,180
Reserved for fire operations			61,933					61,933
Reserved for police operations				64,359				64,359
Reserved for fire equipment					167,044			167,044
Reserved for police equipment						77,658		77,658
Reserved for library								76,596
Reserved for Cedar Lake Lights							1,342	1,342
Unreserved								164,261
Total Fund Balances	<u>164,261</u>	<u>32,180</u>	<u>61,933</u>	<u>64,359</u>	<u>167,044</u>	<u>77,658</u>	<u>1,342</u>	<u>645,373</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 169,446</u>	<u>40,385</u>	<u>61,985</u>	<u>64,376</u>	<u>167,044</u>	<u>77,658</u>	<u>1,342</u>	<u>658,832</u>

Amounts reported for governmental activities in the statement of net assets are different because:
 *Total fund balance - governmental funds
 *Capital assets used in governmental activities are not financial resources and are not reported in the funds

\$ 645,373
551,843

Net assets of Governmental Activities

\$ 1,197,216

See accompanying notes to financial statements

HOME TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2004

	MAJOR FUNDS								TOTAL GOVERNMENTAL FUNDS
	GENERAL FUND	MUNICIPAL STREET FUND	FIRE OPERATIONS FUND	POLICE OPERATIONS FUND	FIRE EQUIPMENT FUND	POLICE EQUIPMENT FUND	LIBRARY FUND	CEDAR LAKE LIGHTS FUND	
REVENUES									
Property taxes	\$ 50,031	55,028	41,272	55,028	27,509	13,747	41,715	-	284,330
Special assessments	-	-	-	-	-	-	-	1,188	1,188
State grants	106,439	-	-	-	27,800	-	5,417	-	138,656
Interest	567	89	174	136	2,228	885	549	4	4,633
Rents	2,127	-	-	-	-	-	-	-	2,127
Fees and services	21,406	-	-	1,197	-	-	-	-	22,603
Penal fines	-	-	-	-	-	-	27,037	-	27,037
Gifts	-	-	-	-	-	-	15,432	-	15,432
Other	7,053	-	-	5,481	-	-	8,047	-	20,581
Total Revenues	187,623	55,117	41,446	61,842	57,538	14,632	98,197	1,202	517,597
EXPENDITURES									
General government	120,892	-	-	-	-	-	-	-	120,892
Public safety	-	-	32,546	39,101	-	-	-	-	71,647
Public services	962	79,425	-	-	-	-	-	1,323	81,710
Recreation and culture	-	-	-	-	-	-	81,144	-	81,144
Other	18,483	-	-	-	-	-	-	-	18,483
Capital outlay	5,843	-	-	-	41,717	12,854	18,059	-	78,473
Total Expenditures	145,880	79,425	32,546	39,101	41,717	12,854	99,203	1,323	452,149
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	41,643	(24,308)	8,900	22,741	15,821	1,778	(1,006)	(121)	65,448
FUND BALANCE-BEGINNING OF YEAR	122,618	56,488	53,033	41,618	151,223	75,880	77,802	1,483	579,925
FUND BALANCE-END OF YEAR	\$ 164,261	32,180	61,933	64,359	167,044	77,658	76,596	1,342	645,373

See accompanying notes to financial statements

**HOME TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004**

Net change in Fund Balances - total governmental funds	\$ 65,448
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Add: capital outlay	78,473
Deduct: depreciation expense	<u>(39,639)</u>
Change in net assets of governmental activities	<u><u>\$ 104,282</u></u>

See accompanying notes to financial statements

**HOME TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Township was organized in 1865 and is located in Montcalm County, Michigan. The Township operates under an elected board of five (5) members and provides services to its residents in many areas including public safety (fire and police), highway and street maintenance, culture/recreation, public improvements, planning and zoning and general administrative services.

The accounting policies of Home Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. The more significant of the government's accounting policies are described below.

A - THE REPORTING ENTITY

In accordance with generally accepted accounting principles and governmental accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity", these financial statements present the Township and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on the application of the criteria, the township does not contain any component units.

B - GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C – MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Governmental Fund Financial Statements – The Governmental fund financial statements are reported using the current financial resources measurement and focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenue to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st.

Although the Township's 2003 ad valorem tax is levied and collectible on December 1, 2003, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing operations.

The 2003 taxable valuation of the Township totals \$61,715,390 on which ad valorem taxes levied consisted of .91320 mills for the Township operating purposes, .74690 mills for fire operations, .49790 mills for fire equipment, .99580 mills for police operations, .24890 mills for police equipment and .99580 mills for municipal streets. These amounts are recognized in the respective fund financial statements as revenue.

The government-wide focus is more on the sustainability of the Township as an entity and the change in the Township's net assets resulting from the current year's activities.

D- BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Township are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the Township:

Governmental Funds – The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position (sources, uses, and balances of financial resources) rather than upon net income.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The Township has elected to report all governmental funds as major funds.

The Township reports the following governmental funds as major funds:

- The **General Fund** is the Township's primary operating fund. It accounts for all financial resources in the general government, except those required to be accounted for in another fund.
- The **Municipal Street Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the renovation and improvements to the Township's roads.
- The **Fire Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Fire Department.

NOTES TO THE FINANCIAL STATEMENTS (continued)

- The **Police Operations Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the Police Department.
- The **Fire Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Fire Department equipment.
- The **Police Equipment Fund** accounts for the use of property taxes received under a specially voted millage for the activity related to the purchase of Police Department equipment.
- The **Library Fund** is used to account for funds received and expended for the operation of the Township's Library.
- The **Cedar Lake Lights Fund** is used to account for funds received and expended for the special assessment district which provides for street lighting for its district.

E - ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to / from other funds". Activity between funds that is representative of lending / borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to / from other funds". Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Inventories and Prepaid Items - The Township does not recognize as an asset inventories of supplies. The cost of these supplies is considered immaterial to the financial statements and the quantities are not prone to wide fluctuation from year to year. The costs of such supplies are expensed when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property, plant and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

NOTES TO THE FINANCIAL STATEMENTS (continued)

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Equipment and Furnishings	7 to 15 years
Fire Department Vehicles	25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balances represent tentative management plans that are subject to change.

Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The government's final budget must be prepared and adopted prior to July 1st of each year.

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control is the activity level. Certain supplemental budgetary appropriations were made during the year.

The government does not utilize encumbrance accounting.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Township supervisor submits to the Township Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them, for the General and Special Revenue funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the Township Board adopts by resolution a budget for the ensuing year.
4. The Supervisor or his designee is authorized to transfer budgeted amounts within department appropriation accounts. However, any revisions that alter the total expenditures of any department must be approved by the Township Board.
5. Budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at the fiscal year end.
6. Adoption and amendments of all budgets used by the township are governed by Public Act 621.

Excess of expenditures over appropriations – Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended June 30, 2004, the government incurred expenditures in excess of the amounts appropriated at the legal level of budgetary control as follows:

NOTES TO THE FINANCIAL STATEMENTS (continued)

	<u>Amended Budget</u>	<u>Actual</u>	<u>Unfavorable Budget Variance</u>
General Fund			
Building and Construction	3,000	5,843	(2,843)
Library Fund			
Programs	250	420	(170)
Printing	10	119	(109)
Capital Outlay	6,200	7,445	(1,245)
Miscellaneous	800	863	(63)
Police Equipment Fund			
Equipment	4,114	12,854	(8,740)
Municipal Street Fund			
Roads	71,264	79,425	(8,161)
Fire Equipment Fund			
Equipment	14,920	41,717	(26,797)

NOTE 2 – CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorized the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. Investments can also be made in bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States, which are guaranteed as to principal and interest by the United States, including securities issued by the United States government, or Federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications by not less than two standard rating agencies which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of the government of Michigan. Attorney General's Opinion No. 6168 states that public funds may not be deposited in financial institutions located in states other than Michigan.

The Township has designated four banks for the deposit of Township funds. The investment policy adopted by the Township in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States Government and bank accounts and CDs, but not the remainder of State Statutory authority as listed above.

The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the carrying amount of the Township's cash deposits and investments was \$640,376 and the bank balance was \$652,124. Of the bank balance, \$350,068 was covered by federal depository insurance and \$302,056 was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Local Government Unit or its agent in the government's name;

NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Local Governmental Unit's name.

At year-end, the Township's investment balances were all categorized as category 1.

NOTE 3 - CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 61,717	\$ -	\$ -	\$ 61,717
Capital assets being depreciated				
Buildings	423,357	-	-	423,357
Improvements other than buildings	5,203	-	-	5,203
Machinery and equipment	150,005	63,852	-	213,857
Vehicles	225,198	10,000	-	235,198
Total capital assets being depreciated	<u>803,763</u>	<u>73,852</u>	<u>-</u>	<u>877,615</u>
Less accumulated depreciation for:				
Buildings	175,844	10,584	-	186,428
Improvements other than buildings	3,510	260	-	3,770
Machinery and equipment	68,102	16,707	-	84,809
Vehicles	100,394	12,088	-	112,482
Total accumulated depreciation	<u>347,850</u>	<u>39,639</u>	<u>-</u>	<u>387,489</u>
Net capital assets being depreciated	<u>455,913</u>	<u>34,213</u>	<u>-</u>	<u>490,126</u>
Governmental activities: Total Capital assets - net of depreciation	<u><u>\$ 517,630</u></u>	<u><u>\$ 34,213</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 551,843</u></u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General government	\$13,441
Public safety	20,401
Recreation and culture	<u>5,797</u>
Total Governmental Activities	<u><u>\$39,639</u></u>

The Township is considered a "Phase 3" Government, as defined by GASB 34. Accordingly, the Township has elected to not retroactively apply the reporting of major general infrastructure assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTE 4 – RETIREMENT PLAN

The Township has a defined contribution pension plan for all elected officials. A defined contribution pension plan provides pension benefits for each participant, and specifies how contributions to the individual's account are to be determined. The amounts participants receive depend solely on the amounts contributed to the participant's account and the returns earned on those contributions. During the year, the Township's actual contributions to the plan amounted to \$5,832. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as workman's compensation benefits provided to employees. The Township has purchased commercial insurance for claims relating to general liability, errors and omissions, physical damage (equipment, building, and contents) and workers compensation.

Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

NOTE 6 – DEFERRED COMPENSATION

The Township does not have a deferred compensation plan.

NOTE 7 – POST EMPLOYMENT

The Township does not furnish any post employment benefits to its employees.

NOTE 8 - ACCUMULATED VACATION AND SICK PAY

The Township employees do not earn vacation pay and they are not paid for sick days.

NOTE 9 – JOINT POLICE AUTHORITY

The Township and the Village of Edmore formed a Joint Police Authority on June 26, 1989. The Village of Edmore is the oversight unit and accordingly, the Police Authority is included in the audit of the Village of Edmore. The Edmore-Home Municipal Joint Police Authority dissolved on February 12, 2004. The assets and liabilities of the Police Authority were divided between the Village of Edmore and Home Township. The assets are to be used for police protection by the respective municipalities.

NOTE 10 – CONTINGENT LIABILITIES

A corporation has appealed the assessed values assigned to various properties it owns within the Township. Settlement discussions are taking place between the Township and Petitioner's counsel in the hope of resolving this matter. Petitioner is requesting a reduction in taxable value from \$924,954 to \$500,000 and in state equalized value from \$2,740,400 to \$500,000.

HOME TOWNSHIP - GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues				
Property taxes	\$ 52,889	52,889	50,031	(2,858)
Administration fee	23,191	23,191	19,981	(3,210)
State grants	100,000	100,000	106,439	6,439
Zoning fees	1,000	1,000	1,425	425
Interest	1,000	1,000	567	(433)
Rents and royalties	150	150	147	(3)
Community hall rents	300	300	1,980	1,680
Other revenues	-	-	7,053	7,053
Total Revenues	<u>178,530</u>	<u>178,530</u>	<u>187,623</u>	<u>9,093</u>
Expenditures				
Township board	50,400	58,427	29,830	28,597
Supervisor	8,000	8,000	7,332	668
Elections	2,330	2,609	1,464	1,145
Assessor	30,400	30,424	30,348	76
Attorney	13,000	6,000	3,079	2,921
Clerk	10,800	10,300	10,263	37
Board of Review	1,900	1,900	1,553	347
Treasurer	9,700	9,948	9,948	-
Township hall	17,150	24,366	18,247	6,119
Cemetery	2,700	3,700	3,468	232
Planning commission	7,075	7,100	5,160	1,940
Waste disposal	1,240	1,240	962	278
Building and construction	5,000	3,000	5,843	(2,843)
Contingencies	3,000	3,000	3,000	-
Insurance	6,100	6,100	5,500	600
Pension	5,500	5,877	5,832	45
Payroll taxes	3,700	4,200	4,151	49
Total Expenditures	<u>177,995</u>	<u>186,191</u>	<u>145,980</u>	<u>40,211</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>535</u>	<u>(7,661)</u>	<u>41,643</u>	<u>49,304</u>
FUND BALANCE - BEGINNING OF THE YEAR	<u>64,000</u>	<u>64,000</u>	<u>122,618</u>	<u>(58,618)</u>
FUND BALANCE - END OF THE YEAR	<u>\$ 64,535</u>	<u>56,339</u>	<u>164,261</u>	<u>107,922</u>

See accompanying notes to financial statements
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**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

TOWNSHIP BOARD		
Salaries and wages	\$ 18,459	
Office supplies	1,931	
Professional services	3,955	
Communications	1,330	
Transportation	436	
Printing	836	
Miscellaneous	2,883	
Roads	-	
Hitachi Payback	-	
	<hr/>	29,830
SUPERVISOR		
Salaries and wages	7,312	
Miscellaneous	-	
Office supplies	20	
	<hr/>	7,332
ELECTIONS		
Salaries and wages	1,279	
Office supplies	94	
Transportation	22	
Printing	39	
Miscellaneous	30	
	<hr/>	1,464
ASSESSOR		
Salaries and wages	26,000	
Office supplies	250	
Tax bill preparations	3,623	
Miscellaneous	475	
	<hr/>	30,348
ATTORNEY		
Professional services	2,376	
Tax appeals	703	
	<hr/>	3,079
CLERK		
Salaries and wages	10,000	
Office supplies	205	
Miscellaneous	58	
	<hr/>	10,263
BOARD OF REVIEW		
Salaries and wages	1,175	
Printing	318	
Office supplies	-	
Miscellaneous	60	
	<hr/>	1,553
TREASURER		
Salaries and wages	8,628	
Office supplies	900	
Miscellaneous	420	
	<hr/>	9,948

See accompanying notes to financial statements

**HOME TOWNSHIP
GENERAL FUND
STATEMENT OF EXPENDITURES
YEAR ENDED JUNE 30, 2004**

TOWNSHIP HALL		
Operating supplies	281	
Copier expense	-	
Communications	388	
Public utilities	3,569	
Hall custodian	1,516	
Repair and maintenance	1,728	
Capital outlay - equipment	7,275	
Capital outlay - building improvement	-	
Library maintenance	3,490	18,247
CEMETERY		
Salaries and wages	3,425	
Repair and maintenance	43	3,468
PLANNING AND COMMISSION		
Salaries and wages	4,607	
Office supplies	224	
Printing	329	
Miscellaneous	-	
Transportation	-	5,160
WASTE DISPOSAL		962
BUILDING AND CONSTRUCTION		5,843
INSURANCE		5,500
PENSION		5,832
PAYROLL TAXES		4,151
CONTINGENCIES		3,000
TOTAL EXPENDITURES	\$	145,980

See accompanying notes to financial statements

**HOME TOWNSHIP
MUNICIPAL STREET FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 55,409	55,409	55,028	(381)
Interest	-	-	89	89
Total Revenues	<u>55,409</u>	<u>55,409</u>	<u>55,117</u>	<u>(292)</u>
EXPENDITURES				
Roads	44,964	71,264	79,425	(8,161)
Hitachi Payback	3,400	<u>3,400</u>	-	<u>3,400</u>
TOTAL EXPENDITURES	<u>48,364</u>	<u>74,664</u>	<u>79,425</u>	<u>(4,761)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>7,045</u>	<u>(19,255)</u>	<u>(24,308)</u>	<u>(5,053)</u>
FUND BALANCE-BEGINNING OF YEAR	<u>56,488</u>	<u>56,488</u>	<u>56,488</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 63,533</u>	<u>37,233</u>	<u>32,180</u>	<u>(5,053)</u>

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 41,554	41,554	41,272	(282)
Interest	<u>2,000</u>	<u>2,000</u>	<u>174</u>	<u>(1,826)</u>
Total Revenues	<u>43,554</u>	<u>43,554</u>	<u>41,446</u>	<u>(2,108)</u>
EXPENDITURES				
Salaries and wages	15,000	15,000	12,823	2,177
Payroll taxes	800	1,000	971	29
Office supplies	300	300	210	90
Operating supplies	3,000	3,000	2,735	265
Communications	1,200	1,350	1,328	22
Repair and maintenance	6,500	6,500	2,325	4,175
Life insurance	650	650	590	60
Property and liability insurance	5,023	6,755	6,755	758
Workers' compensation	850	850	130	720
Firemen's liability insurance	1,920	1,920	1,920	-
Miscellaneous	3,000	3,000	991	2,009
Public Utilities	2,500	2,500	1,768	732
Hitachi payback	<u>2,600</u>	<u>2,600</u>	<u>-</u>	<u>2,600</u>
Total Expenditures	<u>43,343</u>	<u>45,425</u>	<u>32,546</u>	<u>12,879</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	211	(1,871)	8,900	10,771
FUND BALANCE-BEGINNING OF YEAR	<u>53,033</u>	<u>53,033</u>	<u>53,033</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 53,244</u>	<u>51,162</u>	<u>61,933</u>	<u>10,771</u>

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE OPERATIONS FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 55,410	55,410	55,028	(382)
Police services	-	-	1,197	1,197
Miscellaneous	-	-	4,610	4,610
Penalties and fines	-	-	871	871
Interest	100	100	136	36
Total Revenues	<u>55,510</u>	<u>55,510</u>	<u>61,842</u>	<u>6,332</u>
EXPENDITURES				
Contributions to Police Authority	20,000	20,000	20,000	-
Salaries and Wages	12,000	12,480	10,020	2,460
Payroll taxes	168	858	852	6
Property and liability insurance	573	1,440	1,440	-
Workers' compensation	237	257	257	-
Health insurance	2,660	3,618	2,951	667
Office supplies	150	150	44	106
Operating supplies	1,000	1,000	820	180
Professional services	700	700	300	400
Communication	300	380	378	2
Pension	1,000	1,000	-	1,000
Repairs and maintenance	1,000	1,981	1,980	1
Miscellaneous	300	300	59	241
Police liability	217	217	-	217
Hitachi payback	3,400	3,400	-	3,400
Total Expenditures	<u>43,705</u>	<u>47,781</u>	<u>39,101</u>	<u>8,680</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	11,805	7,729	22,741	15,012
FUND BALANCE-BEGINNING OF YEAR	<u>41,618</u>	<u>41,618</u>	<u>41,618</u>	-
FUND BALANCE-END OF YEAR	<u>\$ 53,423</u>	<u>49,347</u>	<u>64,359</u>	<u>15,012</u>

See accompanying notes to financial statements

**HOME TOWNSHIP
FIRE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 27,701	27,701	27,509	(192)
State grants	-	-	27,800	27,800
Interest	1,000	1,000	2,229	1,229
Total Revenues	<u>28,701</u>	<u>28,701</u>	<u>57,538</u>	<u>28,837</u>
EXPENDITURES				
Equipment	5,500	14,920	41,717	(26,797)
Hitachi Payback	1,700	1,700	-	1,700
Total Expenditures	<u>7,200</u>	<u>16,620</u>	<u>41,717</u>	<u>(25,097)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>21,501</u>	<u>12,081</u>	<u>15,821</u>	<u>3,740</u>
FUND BALANCE-BEGINNING OF YEAR	<u>151,223</u>	<u>151,223</u>	<u>151,223</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 172,724</u>	<u>163,304</u>	<u>167,044</u>	<u>3,740</u>

See accompanying notes to financial statements

**HOME TOWNSHIP
POLICE EQUIPMENT FUND
STATEMENTS OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 13,847	13,847	13,747	(100)
Interest	600	600	885	285
Total Revenues	<u>14,447</u>	<u>14,447</u>	<u>14,632</u>	<u>185</u>
EXPENDITURES				
Equipment	1,000	4,114	12,854	(8,740)
Hitachi payback	1,000	1,000	-	1,000
Total Expenditures	<u>2,000</u>	<u>5,114</u>	<u>12,854</u>	<u>(7,740)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>12,447</u>	<u>9,333</u>	<u>1,778</u>	<u>(7,555)</u>
FUND BALANCE-BEGINNING OF YEAR	<u>75,880</u>	<u>75,880</u>	<u>75,880</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 88,327</u>	<u>85,213</u>	<u>77,658</u>	<u>(7,555)</u>

See accompanying notes to financial statements

**HOME TOWNSHP LIBRARY FUND
STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2004**

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 40,266	40,266	41,715	1,449
Penal fines	30,100	27,040	27,037	(3)
State grants	4,690	4,690	5,417	727
Gifts	7,550	15,800	15,432	(368)
Interest	2,850	800	549	(251)
Miscellaneous	9,000	7,500	8,047	547
Total Revenues	<u>94,456</u>	<u>96,096</u>	<u>98,197</u>	<u>2,101</u>
EXPENDITURES				
Salaries and wages	41,000	43,000	42,312	688
Payroll taxes	3,000	3,000	2,907	93
Workshops	600	150	30	120
Transportation	600	400	287	113
Office supplies	1,420	1,300	1,103	197
Communications	2,000	1,900	1,855	45
Book supplies	800	1,000	823	177
Books	14,000	18,500	17,916	584
Subscriptions	2,250	1,350	1,284	66
Audio-visual and non-book	2,250	2,700	2,257	443
Repairs and maintenance	600	50	-	50
Programs	1,700	250	420	(170)
Professional and contracted services	2,000	2,000	1,773	227
Printing	86	10	119	(109)
Insurance	2,000	1,720	1,122	598
Utilities	5,000	5,000	4,583	417
Capital outlay	4,800	6,200	7,445	(1,245)
Miscellaneous	1,000	800	863	(63)
Building maintenance	1,000	1,600	1,490	110
Electronics	8,100	11,250	10,614	636
Software	250	-	-	-
Total Expenditures	<u>94,456</u>	<u>102,180</u>	<u>99,203</u>	<u>2,977</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(6,084)	(1,006)	5,078
FUND BALANCE-BEGINNING OF YEAR	<u>77,602</u>	<u>77,602</u>	<u>77,602</u>	-
FUND BALANCE-END OF YEAR	<u>\$ 77,602</u>	<u>71,518</u>	<u>76,596</u>	<u>5,078</u>

See accompanying notes to financial statements

**HOME TOWNSHIP
SPECIAL REVENUE FUND - CEDAR LAKE LIGHTS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2004**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Special assessments	\$ 1,199	1,199	1,198	(1)
Interest	<u>40</u>	<u>40</u>	<u>4</u>	<u>(36)</u>
Total Revenues	<u>1,239</u>	<u>1,239</u>	<u>1,202</u>	<u>(37)</u>
EXPENDITURES				
Street Lights	<u>1,200</u>	<u>1,323</u>	<u>1,323</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	39	(84)	(121)	(37)
FUND BALANCE-BEGINNING OF YEAR	<u>1,463</u>	<u>1,463</u>	<u>1,463</u>	<u>-</u>
FUND BALANCE-END OF YEAR	<u>\$ 1,502</u>	<u>1,379</u>	<u>1,342</u>	<u>(37)</u>

See accompanying notes to financial statements

COMPLIANCE AND INTERNAL CONTROL

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

November 18, 2004

Members of the Township Board
Home Township
Montcalm County, Michigan

We have audited the general purpose financial statements of Home Township as of and for the year ended June 30, 2004, and have issued our report thereon dated November 18, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

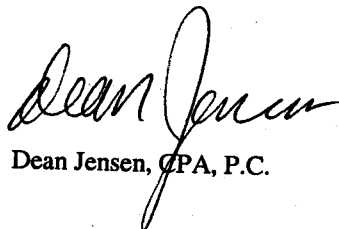
Compliance

As part of obtaining reasonable assurance about whether Home Township's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Home Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider material weaknesses.

This report is intended for the information of Township Board and management. However, this report is a matter of public record and its distribution is not limited.


Dean Jensen, CPA, P.C.